

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* TOWNSHIP OF POWELL	County* MARQUETTE	Type* TOWNSHIP	MuniCode* 52-1-110
Opinion Date-Use Calendar* Aug 31, 2008	Audit Submitted-Use Calendar* Sep 30, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/> ?	8. Has the local unit distributed to revenues that were collected for another existing unit timely as required by the general property tax act?
<input type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix 1 of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 280,710.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 234,988.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 575,281.00
Governmental Activities Long-Term Debt (see Instructions):	<input type="checkbox"/> ? \$ 47,639.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* SCOTT	Last Name* KENNEY	Ten Digit License Number* 1101011483		
CPA Street Address* 1374 COMMERCIAL AVENUE	City* CRYSTAL FALLS	State* MI	Zip Code* 49920	Telephone* +1 (906) 875-4393
CPA Firm Name* SCOTT R. KENNEY, CPA	Unit's Street Address* P.O. BOX 39	Unit's City* BIG BAY	Unit's Zip* 49808	

TOWNSHIP OF POWELL
MARQUETTE COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS

Fiscal Year Ended March 31, 2008

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SCOTT R. KENNEY

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

The Honorable Supervisor and Board of Trustees
Township of Powell
P.O. Box 39
Big Bay, MI 49808

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Powell, Marquette County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's elected officials and management. My responsibility is to express an opinion on these financial statements based on my audit.

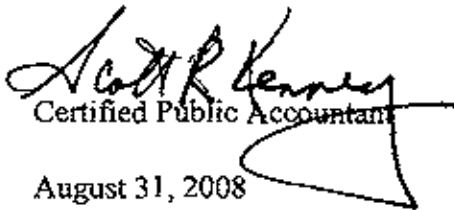
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Powell, Marquette County, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 33 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Powell, Marquette County, Michigan's basic financial statements. The introductory section and additional information section are presented for additional analysis and are not a required part of the basic financial statements. The additional information section has been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.


Certified Public Accountant

August 31, 2008

TOWNSHIP OF POWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 4.6% from a year ago - increasing from \$1.729 million to \$1.809 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of \$99,000 during the year (9.8% increase). This is approximately equal to the prior year equity increase and the various categories in the governmental funds were consistent with the prior year. The business-type activities experienced a \$19,000 decrease in net assets, an amount consistent with the prior year's financial performance. While generating positive cash flow, charges in the both the Water Fund and Sewer Fund are not sufficient to make the fund profitable based on current expense levels. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	\$ 778	\$ 708	\$ 84	\$ 81	\$ 862	\$ 789
Noncurrent Assets	<u>395</u>	<u>403</u>	<u>1,050</u>	<u>1,054</u>	<u>1,445</u>	<u>1,457</u>
Total Assets	\$ 1,173	\$ 1,111	\$ 1,134	\$ 1,135	\$ 2,307	\$ 2,246
Long-Term Debt Outstanding	\$ 3	\$ 48	\$ 406	\$ 402	\$ 409	\$ 450
Other Liabilities	<u>63</u>	<u>55</u>	<u>26</u>	<u>12</u>	<u>89</u>	<u>67</u>
Total Liabilities	\$ <u>66</u>	\$ <u>103</u>	\$ <u>432</u>	\$ <u>414</u>	\$ <u>498</u>	\$ <u>517</u>
Net Assets						
Invested in Capital Assets-Net of Debt	\$ 349	\$ 403	\$ 628	\$ 644	\$ 977	\$ 1,047
Restricted	0	0	15	27	15	27
Unrestricted (Deficit)	<u>758</u>	<u>605</u>	<u>59</u>	<u>50</u>	<u>817</u>	<u>655</u>
Total Net Assets	\$ 1,107	\$ 1,008	\$ 702	\$ 721	\$ 1,809	\$ 1,729

TOWNSHIP OF POWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2008

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$153,000 for the governmental activities. The current level of unrestricted net assets for our governmental activities stands at \$758,000. The reasons for the increase is maintaining tight fiscal control on expenses which allowed the various expenditure categories to fall mostly within budget and also be consistent with the prior year. The Unrestricted net assets for the business type activities increased by \$9,000 bringing the total to \$59,000. This is attributed to depreciation being included in the Invested in Capital Assets section of net assets. The Township's net assets continue to remain healthy at the financial statement date.

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program Revenues						
Charges for Services	\$ 12	\$ 28	\$ 63	\$ 60	\$ 75	\$ 88
Operating Grants and Contributions	0	2	0	0	0	2
Capital Grants and Contributions	1	0	0	0	1	0
General Revenues						
Property Taxes	\$ 314	\$ 309	\$ 0	\$ 0	\$ 314	\$ 309
State-Shared Revenues	51	50	0	0	51	50
Unrestricted Investment Earnings	15	57	4	2	19	59
Reimbursements	2	0	0	0	2	0
Sale of property	0	0	0	0	0	0
Transfers and Other Revenue	<u>25</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25</u>	<u>0</u>
Total Revenues	\$ 420	\$ 446	\$ 67	\$ 62	\$ 487	\$ 508
Program Expenses						
General Government	\$ 145	\$ 161	\$ 0	\$ 0	\$ 145	\$ 161
Public Safety	68	24	0	0	68	24
Public Works	70	80	0	0	70	80
Employee benefits	12	21	0	0	12	21
Community Development	12	21	0	0	12	21
Recreation & Culture	17	45	0	0	17	45
Interest on Long-Term Debt	(3)	13	0	0	(3)	13
Water & Sewer	<u>0</u>	<u>0</u>	<u>85</u>	<u>84</u>	<u>85</u>	<u>84</u>
Total Expenses	\$ 321	\$ 365	\$ 85	\$ 84	\$ 406	\$ 449
Change in Net Assets	\$ 99	\$ 81	\$ (18)	\$ (22)	\$ 81	\$ 59

TOWNSHIP OF POWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2008

Governmental Activities

The Township's total governmental revenues decreased by approximately \$26,000. The decrease is attributable to a drop in ambulance revenues (charges for services) and a smaller amount of donations being received.

Cash expenditures decreased by more than \$43,000 during the year. This is due to smaller recreational expenditures associated with the decrease in donations and a decrease in debt service from the prior year. Other expenditures increased by normal inflationary rates.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides water and sewage services to residents, which comes from the Township's own systems. Charges for services increased in the utility funds by \$3,000. Expenses were maintained at a consistent level with the prior year. This resulted in the net loss decreasing during the fiscal year but not being a large enough revenue increase or expense decrease to eliminate the loss.

The Township lost one of its major utility customers late in the fiscal year. This will lead to lower revenues being realized in coming periods for both the Water Fund and Sewer Fund.

The Township's Funds

Analysis of the Township's major funds begins on page 12, following the entity-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The Township's major funds for 2007-2008 include the General Fund, Donated Funds, Sanitation Fund, EMS Building Fund, Water Utility Fund and Sewer Utility Fund.

The General Fund pays for most of the Township's governmental services. The most significant are general maintenance of Township property and buildings, maintaining the Township's equipment, fire and ambulance services and general administration. These services are primarily funded from property taxes assessed to the residents of the Township, revenues shared with the State of Michigan and charges for various services.

TOWNSHIP OF POWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2008

The other major funds usage is defined by the name with the exception of the EMS Building Fund which is a debt service fund used to record property taxes collected for the purpose of paying the buildings bonded costs and the associated expenses.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did amend the budget for various expenditures and projects. The most significant actual versus budget variations occurring during the 2007-2008 year were a decrease in property taxes and charges for services for revenues and favorable variances in the building and grounds, Cemetery, Parks and Recreation and General Insurance. The variances for the General Fund are listed on page 33 of this report.

Capital Asset and Debt Administration

At the end of 2007-2008, the Township had a broad range of capital assets, including public works equipment, fire and ambulance equipment, water and sewer systems. In addition, the Township has invested significantly in buildings within the Township with a net book value of \$1.412 million.

The Township financed its capital needs during the year from its current year revenues (primarily grants) and the accumulated fund balance or retained earnings while continuing to service the various bonded debt already in place.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008-2009 calls for a freeze on property tax rates. This can be accomplished because of the controls that are being placed on governmental fund expenditures. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than the inflationary rate, the mathematical result of this is that the total taxable value for the Township will grow at a rate less than inflation, before considering new property additions.

As mentioned above, the Township lost one of its major utility customers during the year. The nature of the utility funds are that most of the costs are fixed in nature. That means that even though a smaller amount of water is sold and sewage is processed (with a corresponding decrease in revenue), the expenses in these funds will not decrease proportionally or perhaps not decrease at all.

TOWNSHIP OF POWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2008

Contacting the Township's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's office.

TOWNSHIP OF POWELL
GOVERNMENT WIDE STATEMENT OF NET ASSETS
 March 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 702,297	\$ 79,073	\$ 781,370
Receivables - net	29,054	5,247	34,301
Internal receivables	<u>46,718</u>	<u>0</u>	<u>46,718</u>
TOTAL CURRENT ASSETS	\$ 778,069	\$ 84,320	\$ 862,389
RESTRICTED ASSETS - Cash and equivalents	\$ 0	\$ 32,795	\$ 32,795
NON-CURRENT ASSETS			
Property and equipment, net of depreciation	\$ <u>394,591</u>	\$ <u>1,017,388</u>	\$ <u>1,411,979</u>
TOTAL ASSETS	\$ 1,172,660	\$ 1,134,503	\$ 2,307,163
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 2,109	\$ 0	\$ 2,109
Accrued and other liabilities	809	3,152	3,961
Current part of non-current liabilities	45,731	0	45,731
Internal payables	<u>14,553</u>	<u>22,510</u>	<u>37,063</u>
TOTAL CURRENT LIABILITIES	\$ 63,202	\$ 25,662	\$ 88,864
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 0	\$ 17,000	\$ 17,000
NON-CURRENT LIABILITIES			
Compensated absences	\$ 1,252	\$ 0	\$ 1,252
Bonds payable	1,908	0	1,908
Revenue bonds payable	<u>0</u>	<u>389,251</u>	<u>389,251</u>
TOTAL NON-CURRENT LIABILITIES	\$ 3,160	\$ 389,251	\$ 392,411
TOTAL LIABILITIES	\$ 66,362	\$ 431,913	\$ 498,275
NET ASSETS			
Invested in capital assets, net of related debt	\$ 348,860	\$ 628,137	\$ 976,997
Restricted for			
Capital projects	0	1,265	1,265
Debt service	0	14,530	14,530
Unrestricted	<u>757,438</u>	<u>58,658</u>	<u>816,096</u>
TOTAL NET ASSETS	\$ <u>1,106,298</u>	\$ <u>702,590</u>	\$ <u>1,808,888</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities							
General government	\$ 144,998	\$ 760	\$ 0	\$ 0	\$ (144,238)		\$ (144,238)
Public safety	68,474	7,324	0	1,250	(59,900)		(59,900)
Public works	70,440	774	0	0	(69,666)		(69,666)
Recreation and culture	17,389	0	0	0	(17,389)		(17,389)
Community betterment	12,207	2,722	0	0	(9,485)		(9,485)
Insurance and benefits	12,608	0	0	0	(12,608)		(12,608)
Interest on long-term debt	(2,502)	0	0	0	2,502		2,502
TOTAL GOVERNMENTAL ACTIVITIES	\$ 323,614	\$ 11,580	\$ 0	\$ 1,250	\$ (310,784)		\$ (310,784)
Business-Type Activities							
Water	\$ 45,005	\$ 38,508	\$ 0	\$ 0		\$ (6,497)	\$ (6,497)
Sewer	39,917	24,225	0	0		(15,692)	(15,692)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 84,922	\$ 62,733	\$ 0	\$ 0		\$ (22,189)	\$ (22,189)
TOTAL PRIMARY GOVERNMENT	\$ 408,536	\$ 74,313	\$ 0	\$ 1,250	\$ (310,784)	\$ (22,189)	\$ (332,973)
GENERAL REVENUES							
Property taxes					\$ 314,200	\$ 0	\$ 314,200
State shared revenues and grants					51,510	0	51,510
Unrestricted investments earnings					15,371	3,821	19,192
Reimbursements					2,396	0	2,396
Other					25,438	0	25,438
SPECIAL ITEM - Sale of property					0	0	0
TOTAL GENERAL REVENUES AND SPECIAL ITEMS					\$ 408,915	\$ 3,821	\$ 412,736
CHANGE IN NET ASSETS							
Net assets - beginning					\$ 98,131	\$ (18,368)	\$ 79,763
					1,008,167	720,958	1,729,125
NET ASSETS - ENDING					\$ 1,106,298	\$ 702,590	\$ 1,808,888

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
March 31, 2008

	GENERAL FUND	DONATED FUNDS	SANITATION FUND	EMS BUILDING FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and equivalents	\$ 537,503	\$ 44,661	\$ 70,764	\$ 49,369	\$ 702,297
Taxes receivable - net	11,489	0	3,100	2,775	17,364
Due from other funds	32,070	0	7,698	6,950	46,718
Due from other governmental units	<u>11,690</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,690</u>
TOTAL ASSETS	\$ <u>592,752</u>	\$ <u>44,661</u>	\$ <u>81,562</u>	\$ <u>59,094</u>	\$ <u>778,069</u>
LIABILITIES					
Accounts payable	\$ 2,109	\$ 0	\$ 0	\$ 0	\$ 2,109
Accrued payroll	809	0	0	0	809
Due to other funds	14,553	0	0	0	14,553
Due to other governmental units	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	\$ 17,471	\$ 0	\$ 0	\$ 0	\$ 17,471
FUND BALANCES					
Reserved for					
Fire	\$ 0	\$ 9,895	\$ 0	\$ 0	\$ 9,895
Ambulance	0	9,295	0	0	9,295
Parks and recreation	0	17,869	0	0	17,869
Community celebrations	0	7,602	0	0	7,602
Unreserved	<u>575,281</u>	<u>0</u>	<u>81,562</u>	<u>59,094</u>	<u>715,937</u>
TOTAL FUND EQUITY	\$ <u>575,281</u>	\$ <u>44,661</u>	\$ <u>81,562</u>	\$ <u>59,094</u>	\$ <u>760,598</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>592,752</u>	\$ <u>44,661</u>	\$ <u>81,562</u>	\$ <u>59,094</u>	\$ <u>778,069</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
March 31, 2008

Total fund balance - total governmental funds	\$ 760,598
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	394,591
Long term liabilities:	
Bonds not due and payable within the current period and not reported in the funds	(47,639)
Accumulated employee vacation and personal pay not used in current period	<u>(1,252)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES \$	<u>1,106,298</u>

TOWNSHIP OF POWELL
GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended March 31, 2008

	GENERAL FUND	DONATED FUNDS	SANITATION FUND	EMS BUILDING FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property taxes	\$ 204,107	\$ 0	\$ 58,080	\$ 52,013	\$ 314,200
State shared revenues and grants	51,510	1,250	0	0	52,760
Charges for services	10,806	0	774	0	11,580
Interest and rentals	13,759	938	506	168	15,371
Sale of supplies	132	0	0	0	132
Reimbursements	396	2,000	0	0	2,396
Other	0	25,296	0	10	25,306
TOTAL REVENUES	\$ 280,710	\$ 29,484	\$ 59,360	\$ 52,191	\$ 421,745
EXPENDITURES					
Current					
General government	\$ 137,682	\$ 0	\$ 0	\$ 0	\$ 137,682
Public safety	52,886	2,844	0	0	55,730
Public works	9,221	0	57,895	0	67,116
Parks and recreation	5,909	9,777	0	0	15,686
Community betterment	12,207	0	0	0	12,207
Insurance and benefits	12,608	0	0	0	12,608
Capital outlay	4,475	10,617	0	0	15,092
Debt service	0	0	1,887	47,986	49,873
TOTAL EXPENDITURES	\$ 234,988	\$ 23,238	\$ 59,782	\$ 47,986	\$ 365,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 45,722	\$ 6,246	\$ (422)	\$ 4,205	\$ 55,751
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 0	\$ 0	\$ 0	\$ 2,613	\$ 2,613
Transfers (out)	(2,613)	0	0	0	(2,613)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (2,613)	\$ 0	\$ 0	\$ 2,613	\$ 0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 43,109	\$ 6,246	\$ (422)	\$ 6,818	\$ 55,751
Fund balance - beginning	532,172	38,415	81,984	52,276	704,847
FUND BALANCE - ENDING	\$ 575,281	\$ 44,661	\$ 81,562	\$ 59,094	\$ 760,598

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Net change in fund balance - total governmental funds	\$ 55,751
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation.	(8,743)
Repayments of bond principal is an expenditure in the governmental funds but not in the Statement of Activities (where it reduces long-term debt).	45,590
Change in accrued interest on above debt	6,785
Increases in accumulated employee vacation and personal pay are recorded when earned in the Statement of Activities.	<u>(1,252)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$	<u><u>98,131</u></u>

TOWNSHIP OF POWELL
 PROPRIETARY FUNDS STATEMENT OF NET ASSETS
 March 31, 2008

		WATER UTILITY	SEWER UTILITY	TOTAL
ASSETS				
Current Assets				
Cash and equivalents	\$	29,340	\$ 49,733	\$ 79,073
Accounts receivable		3,434	1,813	5,247
Due from other governmental units		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CURRENT ASSETS	\$	32,774	\$ 51,546	\$ 84,320
Noncurrent Assets				
Restricted cash and equivalents	\$	21,720	\$ 11,075	\$ 32,795
Capital assets, net		<u>196,515</u>	<u>820,873</u>	<u>1,017,388</u>
TOTAL NONCURRENT ASSETS	\$	218,235	\$ 831,948	\$ 1,050,183
TOTAL ASSETS	\$	<u>251,009</u>	\$ <u>883,494</u>	\$ <u>1,134,503</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$	0	\$ 0	\$ 0
Accrued expenses		2,120	1,032	3,152
Due to other funds		21,741	769	22,510
Current portion of long term debt		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	\$	23,861	\$ 1,801	\$ 25,662
Noncurrent Liabilities				
Current liabilities payable from restricted assets	\$	14,000	\$ 3,000	\$ 17,000
Revenue bonds payable		<u>116,751</u>	<u>272,500</u>	<u>389,251</u>
TOTAL NONCURRENT LIABILITIES	\$	130,751	\$ 275,500	\$ 406,251
TOTAL LIABILITIES	\$	<u>154,612</u>	\$ <u>277,301</u>	\$ <u>431,913</u>
NET ASSETS				
Invested in capital assets-net of related debt	\$	79,764	\$ 548,373	\$ 628,137
Restricted for debt service		7,720	6,810	14,530
Restricted for system improvements		0	1,265	1,265
Unrestricted		<u>8,913</u>	<u>49,745</u>	<u>58,658</u>
TOTAL NET ASSETS	\$	<u>96,397</u>	\$ <u>606,193</u>	\$ <u>702,590</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
PROPRIETARY FUNDS STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
Year ended March 31, 2008

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
OPERATING REVENUES			
Metered sales	\$ 38,508	\$ 24,225	\$ 62,733
Water taps and other services	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING REVENUES	\$ 38,508	\$ 24,225	\$ 62,733
OPERATING EXPENSES			
Personal services	\$ 6,279	\$ 2,102	\$ 8,381
Employee benefits	440	205	645
Supplies	240	0	240
Purchased services	2,036	0	2,036
Insurance	4,234	1,797	6,031
Utilities	5,480	0	5,480
Other	4,296	426	4,722
Depreciation	<u>13,521</u>	<u>22,933</u>	<u>36,454</u>
TOTAL OPERATING EXPENSES	\$ 36,526	\$ 27,463	\$ 63,989
OPERATING INCOME (LOSS)	\$ 1,982	\$ (3,238)	\$ (1,256)
NONOPERATING REVENUES (EXPENSES)			
Interest earned	\$ 1,198	\$ 2,623	\$ 3,821
Interest expense	<u>(8,479)</u>	<u>(12,454)</u>	<u>(20,933)</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	\$ (7,281)	\$ (9,831)	\$ (17,112)
NET INCOME (LOSS)	\$ (5,299)	\$ (13,069)	\$ (18,368)
Total net assets - beginning	<u>101,696</u>	<u>619,262</u>	<u>720,958</u>
TOTAL NET ASSETS - ENDING	\$ 96,397	\$ 606,193	\$ 702,590

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
PROPRIETARY FUNDS STATEMENT OF CASH FLOW
Year ended March 31, 2008

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 38,461	\$ 25,063	\$ 63,524
Payments to suppliers	(16,286)	(2,223)	(18,509)
Payments to or on behalf of employees	<u>(6,719)</u>	<u>(2,307)</u>	<u>(9,026)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 15,456	\$ 20,533	\$ 35,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal and interest paid on existing capital debt	\$ (140,582)	\$ (15,465)	\$ (156,047)
Refunding of existing debt	130,751	0	130,751
Due to (from) other funds	940	89	1,029
Purchases of capital assets	0	0	0
Funding of restricted accounts	<u>(209)</u>	<u>(5,050)</u>	<u>(5,259)</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING	\$ (9,100)	\$ (20,426)	\$ (29,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	\$ 1,198	\$ 2,623	\$ 3,821
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	\$ 7,554	\$ 2,730	\$ 10,284
Cash and equivalents - beginning	<u>21,786</u>	<u>47,003</u>	<u>68,789</u>
CASH AND EQUIVALENTS - ENDING	\$ 29,340	\$ 49,733	\$ 79,073
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,982	\$ (3,238)	\$ (1,256)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	13,521	22,933	36,454
Change in Assets and Liabilities			
Receivables - net	(47)	838	791
Accounts payable	0	0	0
Accrued expenses	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 15,456	\$ 20,533	\$ 35,989

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
FIDUCIARY FUNDS - STATEMENT OF NET ASSETS
March 31, 2008

	AGENCY FUND TYPE		
	Trust and Agency	Tax Collections	Total
ASSETS			
Cash and equivalents	\$ 614	\$ 10,883	\$ 11,497
Due from other funds	1,029	0	1,029
Due from other governmental units	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$ <u>1,643</u>	\$ <u>10,883</u>	\$ <u>12,526</u>
LIABILITIES			
Due to other funds	\$ 1,512	\$ 9,172	\$ 10,684
Due to other governmental units	131	1,711	1,842
Due to taxpayers	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	\$ <u>1,643</u>	\$ <u>10,883</u>	\$ <u>12,526</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

THESE
NOTES
ARE
AN
INTEGRAL
PART
OF
THE
FINANCIAL
STATEMENTS

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Powell (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected five member board of trustees (Board). The accompanying financial statements present the government, as the Township does not have any component units that are required to be presented, either discretely or blended.

JOINTLY GOVERNED ORGANIZATIONS

Marquette County Solid Waste Management Authority

In June 1988, The Township of Powell joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (Authority). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility. The Township share of the assets, liabilities, equity and operating activities approximate 1% of the total. All of the financial operations and position of the Authority are recorded in a separate set of financial records and are available at the Authority Offices located at 600 County Road NP, Marquette, MI 49855.

The funding formula is based on hauling costs and tipping fees are based on tonnage. The Township's contribution to the Authority for the audit period was \$57,895 for operations and hauling and \$1,887 for debt service.

Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable—Current Property Taxes

Property taxes for the Township attach as an enforceable lien on property as of January 1. Taxes levied on December 1 are payable in one installment by the 15th day of February of the ensuing year without penalty. The Township bills and collects its own property taxes and also taxes for Marquette County, Powell Township School District, MARESA, and the

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

State Education Tax.. Collections and remittances of other units taxes are accounted for in the Tax Collection Fund. Township real property taxes are recognized when levied and personal property taxes are recognized when received.

The Township actually assessed 3.4342 mills for operations and 0.9828 mills for sanitation and 0.8801 mills for EMS Building debt service. The millage generated net tax collections of \$183,518 that is recorded in the General Fund and \$58,046 in the Sanitation Fund and \$51,982 in the EMS Building Fund.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Donated Fund accounts for the revenues and expenditures relating to all donation received for ambulance services, fire protection services, parks and recreation and the Fire on the Bay Festival.

The EMS Building Fund is used to account for the revenues and expenditures for the debt service of the fire/ambulance garage.

The Sanitation Fund accounts for revenues, expenditures and debt service for the operation of landfill and waste disposal services.

The Township reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewer collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relate to charges to customers for sales and services. The utility funds also recognizes the portion of the fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and debt costs associated with financing upgrades to the utility systems. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Bank Deposits and Investments— Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of six months or less when acquired. Investments are stated at fair value.

Receivables and Payables— In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "due to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 16th of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items— Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets— The revenue bonds of the enterprise funds require amounts to be set aside for utility system improvements, debt service principal and interest and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets— Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has elected not to report its infrastructure assets which is in compliance with Governmental Accounting Standards Board Statement Number 34 as the Township is a "tier three" entity. All future infrastructure asset additions will be recorded and reported in the government wide financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	10 to 40 years
Water and Sewer Lines	40 years
Other Infrastructure	10 to 50 years
Vehicles	3 to 10 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation, Personal and Sick Leave)– It is the Township's policy to permit employees to accumulate earned but unused compensatory benefits. The Township does not have a determinable liability for unpaid accumulated sick leave since the Township has a policy not to pay any portion of the accumulated benefits to employees upon separation from service. All compensatory leave pay is accrued when incurred in the proprietary fund financial statements. A liability for this amount is reported in governmental funds only for employee terminations as of year-end as the use of current financial resources to satisfy the debt has not been determined.

Long-Term Obligations– In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

Fund Equity– In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

issuance costs during the current period.

Fund Equity— In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE B - CASH AND INVESTMENTS

MCL 129.91 authorizes the Township to deposit and invest in the accounts of Federal insured banks, credit unions, savings and loan associations; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has not approved an investment policy nor designated depositories in conformance with Michigan Statutes. The Township's deposits that are held are authorized to be held in accordance with the above referenced statute.

At year end, the Township's deposits and investments were reported on the basic financial statements in the following categories:

Bank deposits (demand and time deposits)	\$ 792,867
Investment house deposits	<u>0</u>
 TOTAL (includes trust and agency funds)	 <u>\$ 792,867</u>

The federal insured bank balance of the Township's deposits is \$ 590,796. There were no items classified as investments during the fiscal year.

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated in any of its budgetary funds.

Included in the "Required Supplemental Information" section of this report is a listing of revenues and expenditures for the budgetary funds. The schedules reflect the original budget, amended budget and actual amounts for each of the fund's activities. Some unfavorable variances occurred during the year primarily due to year accruals and reclassifications.

NOTE D - ACCUMULATED DEFICITS

The Township does not have an accumulated fund balance/retained earnings deficit in any of its funds.

NOTE E - INTERFUND TRANSFERS

The following interfund transfer was recorded during the year and is reflected in the financial statements.

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	EMS Building Fund	\$ 2,613

NOTE F - INTERFUND RECEIVABLES AND PAYABLE

The March 31, 2008, balances of interfund receivables and payables are as follows:

<u>Due From</u>	<u>Due to</u>	<u>Amount</u>
Sewer	General	\$ 679
Water	General	20,801
Trust and Agency	General	1,513
Tax	General	9,077
General	Sanitation	7,650
General	EMS Building	6,903
Tax Collection	Sanitation	48
Tax Collection	EMS Building	47
Sewer	Trust and Agency	90
Water	Trust and Agency	940

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE G - CHANGES IN CAPITAL ASSETS

Capital asset activity for the Township for the year ended March 31, 2008 was as follows:

	Beginning	Additions	Disposals	Ending
Governmental Funds				
Assets not depreciated - Land	\$ 0	\$ 0	\$ 0	\$ 0
Assets depreciated				
Buildings	771,787	0	0	771,787
Equipment	<u>338,491</u>	<u>15,092</u>	<u>0</u>	<u>353,583</u>
Total at Historic Cost	\$1,110,278	\$ 15,092	\$ 0	\$1,125,370
Less Accumulated Depreciation for:				
Buildings	\$ 401,463	\$ 12,856	\$ 0	\$ 414,319
Equipment	<u>305,480</u>	<u>10,979</u>	<u>0</u>	<u>316,459</u>
Total Accumulated Depreciation	<u>\$ 706,943</u>	<u>\$ 23,835</u>	<u>\$ 0</u>	<u>\$ 730,778</u>
Net Governmental Funds - Capital Assets	<u>\$ 403,335</u>			<u>\$ 394,592</u>
Business Type Funds				
Assets not depreciated - Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Assets depreciated				
Sewer utility system	917,323	0	0	917,323
Water utility system	<u>472,925</u>	<u>0</u>	<u>0</u>	<u>472,925</u>
Total at Historic Cost	\$1,400,248	\$ 0	\$ 0	\$ 1,400,248
Less Accumulated Depreciation for:				
Sewer utility system	\$ 73,517	\$ 22,933	\$ 0	\$ 96,450
Water utility system	<u>272,889</u>	<u>13,521</u>	<u>0</u>	<u>286,410</u>
Total Accumulated Depreciation	<u>\$ 346,406</u>	<u>\$ 36,454</u>	<u>\$ 0</u>	<u>\$ 382,860</u>
Net Business Type Funds - Capital Assets	<u>\$1,053,842</u>			<u>\$ 1,017,388</u>

Depreciation expense was charged to programs of the City as follows:

Governmental Activities	
General Government	\$ 6,064
Public Safety	12,744
Public Works	3,324
Parks and Recreation	<u>1,703</u>
Total Governmental Activities	<u>\$ 23,835</u>
Business Type Activities	
Water	\$ 13,521
Sewer	<u>22,933</u>
Total Business Type Activities	<u>\$ 36,454</u>

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE H - CHANGES IN LONG TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds involve a pledge of specific income derived from the acquisition or constructed assets to pay the associated debt service

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Type Activities						
General Obligation Bonds						
1988 Landfill Bond	4.00%	01-May-09	\$ 5,229	\$ (1,590)	\$ 3,639	\$ 1,731
2004 EMS Building Bond	4.36%	01-Jun-08	<u>88,000</u>	<u>(44,000)</u>	<u>44,000</u>	<u>44,000</u>
Total Governmental Type Activities			<u>\$ 93,229</u>	<u>\$ (45,590)</u>	<u>\$ 47,639</u>	<u>\$ 45,731</u>
Business Type Activities						
Revenue Bonds						
1984 Water System Bond	7.50%	01-Jun-25	\$ 131,000	\$ (131,000)	\$ 0	\$ 0
2008 Water Refund Bond	4.85%	30-Nov-12	0	130,751	130,751	14,000
2005 Sewer System Bond	4.50%	01-Sep-44	<u>278,500</u>	<u>(3,000)</u>	<u>275,500</u>	<u>3,000</u>
Total Business Type Activities			<u>\$ 409,500</u>	<u>\$ (3,249)</u>	<u>\$ 406,251</u>	<u>\$ 17,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year end March 31	<u>Government Type Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	45,731	2,125	17,000	18,605
2010	1,908	48	17,000	17,764
2011	0	0	17,500	16,929
2012	0	0	17,500	16,083
2013	0	0	78,251	15,247
2013-2018	0	0	21,000	55,980
2018-2023	0	0	25,500	50,794
2023-2028	0	0	32,000	44,325
2028-2033	0	0	40,000	36,247
2033-2038	0	0	50,000	26,213
2038-2043	0	0	62,500	13,555
2043-2045	<u>0</u>	<u>0</u>	<u>28,000</u>	<u>1,260</u>
Totals	<u>\$ 47,639</u>	<u>\$ 2,173</u>	<u>\$ 406,251</u>	<u>\$ 313,002</u>

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

TOWNSHIP OF POWELL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

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REQUIRED
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INFORMATION

TOWNSHIP OF POWELL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 532,172	\$ 532,172	\$ 532,172	\$ 0
Resources (Inflows)				
Property taxes	220,712	220,712	204,107	(16,605)
State shared revenues and grants	51,000	51,000	51,510	510
Charges for services	20,800	20,800	10,806	(9,994)
Interest and rentals	10,300	10,300	13,759	3,459
Sale of supplies	0	0	132	132
Reimbursements	0	0	396	396
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 834,984	\$ 834,984	\$ 812,882	\$ (22,102)
Charges to Appropriations (Outflows)				
General Government				
Board of Trustees	\$ 7,200	\$ 7,200	\$ 4,210	\$ 2,990
Supervisor	13,000	13,000	11,285	1,715
Treasurer	13,250	13,250	12,089	1,161
Tax administration	27,250	27,250	23,217	4,033
Clerk	14,050	14,050	13,117	933
Elections	4,200	4,200	2,778	1,422
Buildings and grounds	80,475	80,475	68,061	12,414
Cemetery	7,725	7,725	2,925	4,800
Public Safety				
Fire	37,900	37,900	31,063	6,837
Ambulance	31,400	31,400	21,823	9,577
Public Works				
Road improvements	3,000	3,000	2,248	752
Street lighting	5,800	5,800	6,973	(1,173)
Recreation				
Parks and other	13,930	13,930	5,909	8,021
Community Betterment - Zoning	13,150	13,150	12,207	943
Insurance and Benefits				
General	23,040	23,040	12,608	10,432
Capital outlay	0	0	4,475	(4,475)
Transfers to other funds	0	2,614	2,613	1
TOTAL CHARGES TO APPROPRIATIONS	\$ 295,370	\$ 297,984	\$ 237,601	\$ 60,383
BUDGETARY FUND BALANCE--ENDING	\$ 539,614	\$ 537,000	\$ 575,281	\$ 38,281

TOWNSHIP OF POWELL
BUDGETARY COMPARISON SCHEDULE
DONATED FUNDS
Year ended March 31, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 38,415	\$ 38,415	\$ 38,415	\$ 0
Resources (Inflows)				
State shared revenues and grants	0	0	1,250	1,250
Interest earned	200	200	938	738
Donations	41,800	41,800	25,296	(16,504)
Reimbursements	0	0	2,000	2,000
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 80,415	\$ 80,415	\$ 67,899	\$ (12,516)
Charges to Appropriations (Outflows)				
Public Safety				
Fire	\$ 15,000	\$ 15,000	\$ 1,688	\$ 13,312
Ambulance	15,000	15,000	1,156	13,844
Parks and recreation	12,000	12,000	9,777	2,223
Capital outlay	0	0	10,617	(10,617)
TOTAL CHARGES TO APPROPRIATIONS	\$ 42,000	\$ 42,000	\$ 23,238	\$ 18,762
BUDGETARY FUND BALANCE--ENDING	\$ 38,415	\$ 38,415	\$ 44,661	\$ 6,246

TOWNSHIP OF POWELL
BUDGETARY COMPARISON SCHEDULE
SANITATION FUND
Year ended March 31, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 81,984	\$ 81,984	\$ 81,984	\$ 0
Resources (Inflows)				
Property taxes	55,900	55,900	58,080	2,180
Charges for services	25,000	25,000	774	(24,226)
Interest earned	<u>1,679</u>	<u>1,679</u>	<u>506</u>	<u>(1,173)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 164,563	\$ 164,563	\$ 141,344	\$ (23,219)
Charges to Appropriations (Outflows)				
Public works				
Contracted services	\$ 80,627	\$ 80,627	\$ 57,895	\$ 22,732
Debt service	<u>1,887</u>	<u>1,887</u>	<u>1,887</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ 82,514	\$ 82,514	\$ 59,782	\$ 22,732
BUDGETARY FUND BALANCE--ENDING	<u>\$ 82,049</u>	<u>\$ 82,049</u>	<u>\$ 81,562</u>	<u>\$ (487)</u>

TOWNSHIP OF POWELL
BUDGETARY COMPARISON SCHEDULE
EMS BUILDING FUND
Year ended March 31, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 52,276	\$ 52,276	\$ 52,276	\$ 0
Resources (Inflows)				
Property taxes	48,000	48,000	52,013	4,013
Interest earned	200	200	168	(32)
Other	0	0	10	10
Transfer from other funds	<u>0</u>	<u>2,614</u>	<u>2,613</u>	<u>(1)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 100,476	\$ 103,090	\$ 107,080	\$ 3,990
Charges to Appropriations (Outflows)				
Public Works				
Capital outlay	\$ 0	\$ 0	\$ 0	\$ 0
Debt service	<u>48,000</u>	<u>48,000</u>	<u>47,986</u>	<u>14</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>48,000</u>	\$ <u>48,000</u>	\$ <u>47,986</u>	\$ <u>14</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>52,476</u></u>	\$ <u><u>55,090</u></u>	\$ <u><u>59,094</u></u>	\$ <u><u>4,004</u></u>

ADDITIONAL
INFORMATION

SCOTT R. KENNEY

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

The Honorable Supervisor and Board of Trustees
Township of Powell
P.O. Box 39
Big Bay, MI 49808

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Powell, Marquette County, Michigan (Township) as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements and have issued my report thereon dated August 31, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to the management of the Township in a separate letter dated August 31, 2008.

This report is intended solely for the information and use of the audit committee, management, Township Board and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



Scott R. Kenney
Certified Public Accountant

August 31, 2008

SCOTT R. KENNEY

Certified Public Accountant

1374 Commercial Ave., Suite #1
Crystal Falls, Michigan 49920
(906) 875-4393 Fax: (906) 875-3879

The Honorable Supervisor and Board of Trustees
Township of Powell
P.O. Box 39
Big Bay, MI 49808

In conjunction with the audit of the general purpose financial statements of the Township of Powell (Township) as of and for the year ended March 31, 2008, I have reviewed the Township's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the Township's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the Board of Trustees and management and should not be presented or quoted to anyone outside of the Township because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof. Statement on Audit Standard Number 112 (SAS 112) requires that I inform the Township of all control deficiencies and those control deficiencies be split into one of two types. The two types of control deficiencies are "significant deficiencies" and "material weaknesses". A significant deficiency is defined as a control deficiency that has more than a remote likelihood that the entity's ability to initiate, authorize, record, process or report financial data in compliance with accounting principles generally accepted in the United States of America will be adversely affected and that such affect will be more than inconsequential. A material weakness is defined as a significant deficiency(ies) that could have a material affect on the financial statements. The first two comments are repeated from the prior year's letter of comments and recommendations.

SIGNIFICANT DEFICIENCIES

1. **OBSERVATION** - The financial reports received periodically by the Board do not comply with Accounting Principles Generally Accepted in the United States.

RECOMMENDATION - I recommend that the Township Board receive, at a minimum, a report that shows actual and budgeted revenues and expenditures/expenses along with variances. In addition, I recommend that all significant variances be analyzed and budget amendments adopted, if necessary.

2. **OBSERVATION** - The Township has adopted a procedure that calls for the reconciliation of cash accounts. A portion of the various Certificates of Deposit held by the Township, however, were not reconciled as the procedure dictates. Some of the Certificates required balance adjustments at the end of the fiscal.

RECOMMENDATION - I recommend that all cash accounts be reconciled with the general ledger balance. Further, the clerk's and treasurer's balance should be reconciled monthly. Any discrepancies should be pursued and adjustments made as necessary.

3. **OBSERVATION** - The minutes of the Township Board meetings do not include the amount of the disbursements, the check numbers approved or a listing of the disbursements.

RECOMMENDATION - To strengthen internal control, I recommend that the Board minutes include the listing of disbursements approved or the total amount of the disbursements along with the associated check numbers/EFT dates. I further recommend that, if the listing is not included in the minutes, that it be retained for future reference.

4. **OBSERVATION** - The Board of Trustees has not adopted an investment policy nor designated depositories as required by State Statute.

RECOMMENDATION - I recommend that the Township prepare and adopt an investment policy in conformity with state statute. In addition, I recommend that the treasurer prepare a listing of depositories where Township funds may be held and that the listing be reviewed and approved by the Board.

This recommendation was implemented after the end of the fiscal year.

5. **OBSERVATION** - The property tax collections were paid out on a monthly basis. The General Property Tax Act of Michigan requires municipalities with the valuation of Powell Township be paid out semi-monthly.

RECOMMENDATION - I recommend that future payments be made in conformity with the state statute.

This recommendation was implemented after the end of the fiscal year.

6. **OBSERVATION** - The treasurer has prepared a periodic report and submitted the report to the Board for approval. The report lists various cash balances with some fund breakdown. The report does not list all of the accounts nor the financial institutions, accounts numbers, interest rates and other similar information.

RECOMMENDATION - I recommend that the treasurer's report be modified to contain all of the cash account balances along with the bank where the money is held, the account number, the fund that the account belongs to, the interest rate and any restriction on the funds. In addition, I recommend that the report be issued for, at a minimum, each quarter end (June 30, September 30, December 31 and March 31).

7. **OBSERVATION** - Some items paid to employees that were reimbursements (mileage, supplies) were taxed as earnings while other items (training) that should have been included in compensation were not.

RECOMMENDATION - I recommend that only compensation and other required items be included as compensation for payroll taxes and that all other amounts be excluded so payroll and related taxes are correctly reported to various governmental agencies.

8. **OBSERVATION** - Ambulance services are provided to patients by the Township's volunteer corp. Billing for the services provided is handled by an outside agency. The reports from the agency are not reviewed for completeness or accuracy.

RECOMMENDATION - I recommend that a procedure be adopted and followed to assure that the ambulance services are properly charged and payments received.

9. **OBSERVATION** - Support for expenditures are not maintained in the clerk's office for expenditures of various Donated Funds. In addition, some supply items were shipped to alternate addresses (homes).

RECOMMENDATION - I recommend that support for all expenditures should be maintained in the clerk's office. Further, all items to be paid for by the Township should either be picked up by a Township employee or shipped directly to the Township.

10. **OBSERVATION** - The utility funds are being maintained on the cash basis of accounting. Accounting Principles Generally Accepted in the United States require that such funds be maintained on the accrual basis of accounting.

RECOMMENDATION - I recommend that the Township convert its basis of accounting from cash to accrual as soon as possible. Besides complying with accounting principles, this will also strengthen internal accounting control.

11. **OBSERVATION** - The utility funds, again, ended the year with a net loss. The funds are designed to be self sufficient, pay their own liabilities and provide for future system improvements.

RECOMMENDATION - I recommend that the operations of the funds be reviewed and that appropriate adjustments be implemented to maintain a profitable status and positive cash flows. This includes reviewing the rates charged for the services and increasing them as necessary.

MATERIAL WEAKNESSES - None.

I would like to thank the Township for allowing me to conduct the audit of the financial statements and I would especially like to thank Vince, DJ and Arline for their assistance during the audit.

If the Township would like my assistance in implementing any of the above recommendations or would like to discuss any of these items further, I am willing to assist you in any way that I can.


Certified Public Accountant

August 31, 2008